

# Evolve Cyber Security Index Fund

CYBR invests primarily in equity securities of companies located domestically or internationally that are involved in the cybersecurity industry through hardware and software development.

TSX

CYBR

ETF TICKERS: CYBR (HEDGED); CYBR.B (UNHEDGED); CYBR.U (USD)  
MUTUAL FUND FUNDSERV CODE: EVF150 (CLASS F); EVF151 (CLASS A)

**Investment Thesis: Cybersecurity spending is non-discretionary and growing. It has transformed into a basic-need service.**

## Spending on cybersecurity is driven by cyber attacks on:

- Individuals
- Enterprises
- Governments

## Cybersecurity is non-discretionary due to:

- Growing cost of data breaches
- Increased regulatory requirements
- Increasing sophistication of cyber criminals
- Increased usage of the cloud

## GENERAL INDUSTRY UPDATE



Source: Intellinews.com

Cybersecurity incidents around the world remain rampant. Over the past few weeks, several companies and organizations reported data breaches, hacks, and other forms of cyberattacks.

LastPass, a company with 33 million customers that provides auto-generated hard-to-crack passwords for users for multiple accounts, said that a hacker stole its source code and proprietary information. LastPass revealed that user passwords were not stolen and that customers do not need to take any action to secure their accounts. However, an investigation is under way into how the hacker was able to gain access.<sup>1</sup>

According to a report by the Telegraph, a major cyberattack delayed response times for the U.K.'s NHS 111 emergency telephone service. The target of the breach was Advanced, a software provider for 85% of the hotline services of the NHS.<sup>2</sup>

Meanwhile, Nomad, a cross-chain token bridge that allows users to send and receive tokens between various blockchains, recently said that attackers have drained \$200 million from the protocol—virtually all of the company's funds.<sup>3</sup> While the cyberattack at Nomad is fairly recent, cross-chain bridges have been severely targeted by cyber criminals in the past.

In early August, cyber criminals attacked Solana's ecosystem for trading digital assets and stole not just Solana's cryptocurrency (SOL), but also stablecoins compatible with the Solana blockchain, such as the USD coin. The company hasn't said how much was stolen, but according to independent analysts from PeckShield, it could be as much as \$8.0 million. In the past, Solana has had to deal with cybersecurity incidents like bot spam and Distributed Denial of Service (DDoS) attacks.<sup>4</sup>

It's not just digital companies that are being affected by cyberattacks. The Ontario Cannabis Store, the only legal online retailer of recreational cannabis in Ontario and distributor to roughly 1,333 licensed cannabis stores, recently said that it was unable to process or deliver orders due to a cyberattack at one of its logistical partners—Dominion Logistics.<sup>5</sup>

BRP Inc., maker of snowmobiles and other recreational vehicles under brands such as Ski-Doo and Lynx snowmobiles, Sea-Doo watercraft, and Can-Am vehicles, also experienced a cyberattack that led to suspension of operations. The company warned that the suspension of its operations could mean transaction delays with customers and suppliers.<sup>6</sup>

## COMPANY SPECIFIC UPDATES



Source: Paloaltonetworks.com

### Palo Alto Networks Inc.

Palo Alto Networks Inc., one of the biggest holdings in the fund and the largest contributor to the overall return, recently announced a 3-for-1 stock split and increased its stock repurchase program after reporting a solid financial performance.

The split comes as high-profile technology companies like Apple Inc. and Alphabet Inc. have announced splits in hopes of lowering their stock prices to levels where they are more affordable for smaller investors.<sup>7</sup>



Source: Informationsecurity.report/news

### IronNet Inc.

IronNet, Inc., a recent addition to the fund, is an innovative cybersecurity solutions provider with a flagship product called DefenseSM. Recently, the company announced that a major European logistics company that offers courier, package delivery, and express mail service to million of customer across the continent will be deploying DefenseSM to defend against cyber threats.<sup>8</sup>

The company also announced that it has entered into an agreement with the U.S. Cybersecurity and Infrastructure Security Agency (CISA) to share information from IronNet's DefenseSM platform to help the agency defend against increased global cyber threats.<sup>9</sup>

## PORTFOLIO STRATEGY AND ACTIVITY

For the month, Palo Alto Networks Inc. made the largest contribution to the Fund, followed by Qualys Inc., and Darktrace PLC. The largest detractors to performance for the month were Okta Inc., followed by Cyxtera Technologies Inc. and Fortinet Inc. On last rebalance, IronNet Inc. was added to the portfolio.

## PERFORMANCE (%)

TOTAL RETURNS*	1 MTH	YTD	1 YR	2 YR	3 YR	4 YR	SI**
<b>CYBR (HEDGED)</b>	0.39	-22.77	-26.88	-1.10	11.86	8.87	14.02
<b>CYBR.B (UNHEDGED)</b>	2.34	-21.10	-25.13	-1.17	11.73	9.71	16.29
<b>CYBR.U (USD)</b>	-0.21	-24.00	-28.09	-1.52	12.22	-	11.36

Source: Bloomberg, as at August 31, 2022.

\*\* Performance since inception of CYBR and CYBR.B on September 18, 2017.

Performance since inception of CYBR.U on May 14, 2019.

### Sources:

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3. Kessler, S., and Betz, B., "Crypto Bridge Nomad Drained of Nearly \$200M in Exploit," CoinDesk, August 1, 2022; <https://www.coindesk.com/tech/2022/08/02/nomad-bridge-drained-of-nearly-200-million-in-exploit>.
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5. Deschamps, T., "Ontario Cannabis Store deliveries halted after cyberattack," BNN Bloomberg, August 9, 2022; <https://www.bnnbloomberg.ca/ontario-cannabis-store-deliveries-halted-after-cyberattack-1.1803384>.
6. "Cyberattack forces Ski-Doo maker BRP to suspend operations," Global News, August 9, 2022; <https://globalnews.ca/news/9047589/quebec-brp-skidoo-cyberattack>.
7. Savitz, E.J., "Palo Alto Networks Stock Soars on Strong Earnings and 3-for-1 Stock Split," Barron's, August 23, 2022; <https://www.barrons.com/articles/palo-alto-networks-stock-split-earnings-51661201304>.
8. "One of Europe's Largest Logistics Companies Selects IronNet to Increase its Network Visibility and Proactively Hunt for Cyber Threats," Yahoo! Finance, August 25, 2022; <https://finance.yahoo.com/news/one-europe-largest-logistics-companies-120500884.html>.
9. "IronNet to Collaborate with CISA to Strengthen the Nation's Cyber Defense," Yahoo! Finance, August 17, 2022; <https://finance.yahoo.com/news/ironnet-collaborate-cisa-strengthen-nation-120000722.html>.

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\*The indicated rates of return are the historical annual compound total returns net of fees (except for figures of one year or less, which are simple total returns) including changes in per unit value and reinvestment of all dividends or distributions and do not take into account sales, redemption, distribution or optional charges or income taxes payable by any securityholder that would have reduced returns. The rates of return shown in the table are not intended to reflect future values of the ETF or returns on investment in the ETF. ETFs are not guaranteed, their values change frequently, and past performance may not be repeated.

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